King Sabata Dalindyebo Municipality
Annual Financial Statements
for the year ended 30 June 2017

King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Nature of business and principal activities	King Sabata Dalindyebo Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998).
Mayoral committee	
Executive Mayor	Cllr D M Zozo
Speaker	Cllr N R Gcingca
Chief Whip	Cllr S Nyengane
Members of the Mayoral Committee	Cllr G N Nelani
	Cllr M Nyoka
	Cllr N Sibeko
	Cllr Z Madyibi
	Cllr L N Ntlonze
	Cllr M T Mtirara
	Cllr N A Ndleia
	Cllr T Machaea
	Cllr T E Mapekula
Councillors	Cllr J Voko
	Cllr Z D Kutu
	Cllr M Mabaso
	Cllr T G Maqoko
	Cllr S Jadiso
	Cllr V N S Roji
	Cllr M Menzelwa
	Cllr M Qotyana
	Cllr Z Luvantyu
	Cllr N Mkontwana
	Cllr Z M Gusana
	Cllr T Mcimbi
	Cllr C S Tokwana
	Cllr U Daniso
	Cllr Z Nokayi
	Cllr N Diblokwe
	Cllr O Khotso
	Cllr M Mrwebi
	Cllr M J Msakeni
	Cllr E M Fileyo
	Cllr Z Ntliziyombi
	Cllr S Mhlaba
	Cllr A Ndzendze
	Cllr S Mlotywa
	Cllr B Bikani
	Cllr X M Mbongwana
	Cllr M Mkhotheli
	Cllr L Mkonto
	Cllr S Sikrenya
	Cllr M D Teti
	Cllr L D Liwani
	Cllr B D Bara
	Cllr N Gcinindawo

General Information

	Cllr B Ndlobongela Cllr B Babile Cllr T Mngoma Cllr T Bhova Cllr M Bunzana Cllr G N Lusu Cllr N F Mzimane Cllr M W Malotana Cllr B B Gqwetha Cllr K W Tsipa Cllr M Gogo Cllr N Ngqongwa Cllr N Pali Cllr N Nyangani Cllr M Mpangele Cllr W V Sanda Cllr K Raymond Cllr A Mgquba Cllr L M Luwaca Cllr U N V Malghas Cllr N M Nqwazi Cllr M Sitshwala Cllr N Mtwa Cllr N A Sobahle Cllr L P Zuma Cllr M A Manzolwandle Cllr B Malghas
Grading of local authority	Grade 4
Chief Finance Officer	Mr E Jiholo
Accounting Officer	Mr M Zenzile
Registered office	Munitata Building Sutherland Street Mthatha
Postal address	Private Bag X5083 Mthatha 5099
Bankers	ABSA FNB
Auditors	Auditor General of South Africa
Chairperson of the Audit Committee	Adv PV Msiwa
Members of the Audit Committee	Mr M N De Beer Ms T Njozela Dr E P Vermaak

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
UIF	Unemployment Insurance Fund
WCA	Workmen's Compensation Act

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The auditor general is responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 87, which have been prepared on the going concern basis, were approved on 31 August 2017 by the accounting officer.

Mr M Zenzile
Accounting Officer

Statement of Financial Position as at 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
Assets			
Current Assets			
Inventories	3	9 280 489	7 656 526
Receivables from exchange transactions	4	45 049 728	31 154 725
Receivables from non-exchange transactions	5	39 665 885	17 927 938
VAT receivable	6	32 300 997	12 561 308
Cash and cash equivalents	7	18 540 950	12 501 813
		144 838 049	**81 802 310**
Non-Current Assets			
Investment property	8	245 733 500	228 859 454
Property, plant and equipment	9	2 550 168 090	2 332 072 519
Intangible assets	10	943 973	1 317 251
Heritage assets	11	4 697 000	4 697 000
		2 801 542 563	**2 566 946 224**
Total Assets		**2 946 380 612**	**2 648 748 534**
Liabilities			
Current Liabilities			
Other financial liabilities	12	10 281 663	9 228 269
Finance lease obligation	13	427 910	843 746
Payables from exchange transactions	14	340 992 543	257 295 715
Consumer deposits	15	17 015 925	15 718 570
Unspent conditional grants and receipts	16	17 282 429	24 423 252
		386 000 470	**307 509 552**
Non-Current Liabilities			
Other financial liabilities	12	27 576 150	31 962 542
Finance lease obligation	13	7 604	435 514
Provisions	17	39 228 408	37 228 566
		66 812 162	**69 626 622**
Total Liabilities		**452 812 632**	**377 136 174**
Net Assets		**2 493 567 980**	**2 271 612 360**
Reserves			
Revaluation reserve	18	383 988 031	383 988 031
Self insurance reserve	19	3 425 513	3 045 886
Accumulated surplus		2 106 154 436	1 884 578 443
Total Net Assets		**2 493 567 980**	**2 271 612 360**

* See Note 57

Statement of Financial Performance

Figures in Rand	Notes	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	350 427 491	316 131 566
Rental of facilities and equipment	21	14 294 082	15 193 296
Licences and permits	22	15 154 555	13 979 592
Other income	23	10 332 418	13 911 831
Investment revenue	24	38 945 238	35 341 040
Total revenue from exchange transactions		**429 153 784**	**394 557 325**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	191 220 643	180 579 393
Transfer revenue			
Government grants and subsidies	26	477 939 727	468 762 307
Financial assistance	27	-	5 111 655
Public contributions and donations	27	167 751 179	108 910 623
Fines, penalties and forfeits		1 391 842	1 025 516
Total revenue from non-exchange transactions		**838 303 391**	**764 389 494**
Total revenue		**1 267 457 175**	**1 158 946 819**
Expenditure			
Employee related costs	28	(360 609 870)	(328 907 200)
Remuneration of councillors	29	(23 819 852)	(22 687 264)
Depreciation and amortisation	30	(146 454 753)	(162 727 396)
Impairment loss	31	-	(326 443)
Finance costs	32	(14 727 735)	(14 181 970)
Lease rentals on operating lease		(16 507 595)	(24 408 439)
Debt Impairment	33	(14 168 480)	(62 068 327)
Repairs and maintenance	34	(55 210 362)	(29 574 093)
Bulk purchases	35	(250 059 345)	(228 801 144)
Contracted services	36	(10 552 403)	(8 642 297)
Grants and Subsidies paid	37	(55 870 785)	(37 948 565)
General Expenses	38	(113 845 256)	(85 953 935)
Total expenditure		**(1 061 826 436)**	**(1 006 227 073)**
Operating surplus		**205 630 739**	**152 719 746**
Fair value adjustments	39	18 978 546	20 953 145
Gain on write-off of finance lease liability		-	4 669 473
Loss on disposal of non-current assets		(3 033 300)	(4 303 254)
		15 945 246	**21 319 364**
Surplus for the year		**221 575 985**	**174 039 110**

* See Note 57

King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	384 413 531	2 692 908	387 106 439	1 710 815 833	2 097 922 272
Adjustments					
Prior year adjustments	-	-	-	(276 500)	(276 500)
Balance at 01 July 2015 as restated*	**384 413 531**	**2 692 908**	**387 106 439**	**1 710 539 333**	**2 097 645 772**
Changes in net assets					
Surplus for the year	-	-	-	174 039 110	174 039 110
Revaluation of assets	(425 500)	-	(425 500)	-	(425 500)
Movement In Self insurance	-	352 978	352 978	-	352 978
Total changes	(425 500)	352 978	(72 522)	174 039 110	173 966 588
Opening balance as previously reported	383 988 031	3 045 886	387 033 917	1 883 800 767	2 270 834 684
Adjustments					
Prior year adjustments	-	-	-	(777 676)	(777 676)
Restated* Balance at 01 July 2016 as restated*	**383 988 031**	**3 045 886**	**387 033 917**	**1 884 578 451**	**2 271 612 368**
Changes in net assets					
Surplus for the year	-	-	-	221 575 985	221 575 985
Movement In Self insurance	-	379 627	379 627	-	379 627
Total changes	-	379 627	379 627	221 575 985	221 955 612
Balance at 30 June 2017	**383 988 031**	**3 425 513**	**387 413 544**	**2 106 154 436**	**2 493 567 980**
Note(s)	18	19			

* See Note 57

Cash Flow Statement

Figures in Rand	Notes	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Taxation		174 850 871	138 761 780
Receipts from Customers		358 168 730	331 127 857
Grants		470 798 904	470 724 423
Interest income		38 945 238	35 341 040
		1 042 763 743	975 955 100
Payments			
Employee costs		(382 429 879)	(353 302 289)
Suppliers		(438 415 206)	(396 435 006)
Finance costs		(14 727 735)	(14 181 970)
		(835 572 820)	(763 919 265)
Net cash flows from operating activities	42	**207 190 923**	**212 035 835**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(197 437 369)	(218 498 365)
Proceeds from sale of property, plant and equipment	9	82 700	1 409 741
Purchase of investment property	8	-	(3 497 454)
Acquisition of Self Insurance		379 627	352 978
Net cash flows from investing activities		**(196 975 042)**	**(220 233 100)**
Cash flows from financing activities			
Repayment of other financial liabilities		(3 332 998)	(9 822 112)
Finance lease payments		(843 746)	(9 665 564)
Net cash flows from financing activities		**(4 176 744)**	**(19 487 676)**
Net decrease in cash and cash equivalents		**6 039 137**	**(27 684 941)**
Cash and cash equivalents at the beginning of the year		12 501 813	40 186 754
Cash and cash equivalents at the end of the year	7	**18 540 950**	**12 501 813**

* See Note 57

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	349 235 681	(1 500 000)	**347 735 681**	350 427 491	**2 691 810**	Ref to note 43
Rental of facilities and equipment	25 919 120	(10 000 000)	**15 919 120**	14 294 082	**(1 625 038)**	Ref to note 43
Licences and permits	16 135 565	-	**16 135 565**	15 154 555	**(981 010)**	Ref to note 43
Other income	12 531 404	158 050	**12 689 454**	10 332 418	**(2 357 036)**	Ref to note 43
Interest received	35 009 384	1 958 000	**36 967 384**	38 945 238	**1 977 854**	Ref to note 43
Total revenue from exchange transactions	**438 831 154**	**(9 383 950)**	**429 447 204**	**429 153 784**	**(293 420)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	202 177 486	(5 281 000)	**196 896 486**	191 220 643	**(5 675 843)**	Ref to note 43
Transfer revenue						
Government grants & subsidies	520 464 203	12 366 687	**532 830 890**	477 939 727	**(54 891 163)**	Ref to note 43
Public contributions and donations	-	-	**-**	167 751 179	**167 751 179**	Ref to note 43
Fines, Penalties and Forfeits	2 528 779	-	**2 528 779**	1 391 842	**(1 136 937)**	Ref to note 43
Total revenue from non-exchange transactions	**725 170 468**	**7 085 687**	**732 256 155**	**838 303 391**	**106 047 236**	
Total revenue	**1 164 001 622**	**(2 298 263)**	**1 161 703 359**	**1 267 457 175**	**105 753 816**	
Expenditure						
Personnel	(384 174 501)	6 005 810	**(378 168 691)**	(360 609 870)	**17 558 821**	Ref to note 43
Remuneration of councillors	(24 925 100)	-	**(24 925 100)**	(23 819 852)	**1 105 248**	Ref to note 43
Depreciation and amortisation	(241 339 479)	30 000 000	**(211 339 479)**	(146 454 753)	**64 884 726**	Ref to note 43
Finance costs	(17 400 000)	638 500	**(16 761 500)**	(14 727 735)	**2 033 765**	Ref to note 43
Lease rentals on operating lease	(29 670 428)	11 029 034	**(18 641 394)**	(16 507 595)	**2 133 799**	Ref to note 43
Debt Impairment	(28 053 000)	(10 000 000)	**(38 053 000)**	(14 168 480)	**23 884 520**	Ref to note 43
Repairs and maintenance	(33 388 709)	(11 518 218)	**(44 906 927)**	(55 210 362)	**(10 303 435)**	Ref to note 43
Bulk purchases	(246 022 114)	-	**(246 022 114)**	(250 059 345)	**(4 037 231)**	Ref to note 43
Contracted Services	(8 134 524)	(3 688 231)	**(11 822 755)**	(10 552 403)	**1 270 352**	Ref to note 43
Grants and Subsidies Paid	(62 439 788)	(2 860 937)	**(65 300 725)**	(55 870 785)	**9 429 940**	Ref to note 43
General Expenses	(74 651 450)	(18 880 020)	**(93 531 470)**	(113 845 256)	**(20 313 786)**	Ref to note 43
Total expenditure	**(1 150 199 093)**	**725 938**	**(1 149 473 155)**	**(1 061 826 436)**	**87 646 719**	
Operating surplus	**13 802 529**	**(1 572 325)**	**12 230 204**	**205 630 739**	**193 400 535**	
Fair value adjustments	-	-	**-**	18 978 546	**18 978 546**	Ref to note 43
Gains on disposal of non-current assets	1 336 493	-	**1 336 493**	(3 033 300)	**(4 369 793)**	Ref to note 43
	1 336 493	**-**	**1 336 493**	**15 945 246**	**14 608 753**	
Surplus before taxation	**15 139 022**	**(1 572 325)**	**13 566 697**	**221 575 985**	**208 009 288**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**15 139 022**	**(1 572 325)**	**13 566 697**	**221 575 985**	**208 009 288**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies applied in the preparation of these financial statements and which are consistent with those applied in the preparation of the prior year financial statements are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

All figures have been rounded off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassification and restatement are disclosed in Note 57 "Prior period errors", to the Financial Statements.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Asset Management and Intangible Assets

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Assets: Management is required to exercise judgement when assessing the fair value/deemed cost of an asset, the extent of any potential impairment, the useful lives and depreciation methods applied to assets.

Intangible Assets: Management is required to assess the useful life of intangible assets based on the period the asset is expected to generate net cash inflows or service potential.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Effective interest rate

The municipality makes use of government bond rate to discount future cash flows in the event of it being material .

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value determination of properties (excluding heritage assets)

In determining the fair value of investment property (and / or property, plant and equipment) the entity applies a valuation methodology to determine the fair value of the properties based on any one of, or a combination of the following factors:
- The market related selling price of the property; or
- The market related rental that can be earned from the property; or
- The market related selling price of similar properties in the area; or
- The rentals currently or previously earned by the property.

Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

Impairment of non-financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Accounting Policies

1.5 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. The cost of day to day servicing of investment property is recognised in the statement of financial performance when incurred.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

To the extent that the fair value model is applied investment property is not depreciated.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The assumptions for determining the fair value of the investment property is set out in Note 8 to the financial statements.

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations established by using the criteria that it can utilise to exercise judgment consistently in accordance with the definition of investment property and with the related guidance

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies

1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial recognition and measurement

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement - Cost model

Property, plant and equipment other than land, buildings and community assets is carried at cost less accumulated depreciation and any impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

Subsequent measurement - Fair Value model

Land, buildings and community assets are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Accounting Policies

1.6 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	infinite
Buildings	5 - 130 years
Plant and machinery	5 - 10 years
Furniture and fixtures	3 - 5 years
Office equipment	5 - 7 years
IT equipment	5 - 7 years
Infrastructure	
- Roads and paving	30 years
- Access roads	3-10 years
- Pedestrian malls	30 years
- Electricity	10 - 50 years
- Sewerage	15 - 20 years
Community	
- Buildings	30 - 130 years
- Recreational equipment	20 - 30 years
- Security	5 years
- Halls	130 years
- Libraries	130 years
- Parks and gardens	20 - 30 years
- Sport fields	20 - 30 years
Other property, plant and equipment	
- Other vehicles	5 years
- Other items of plant and equipment	7 - 10 years
- Landfill sites	4-30 years
- Fire engines	10 - 20 years
Bins and containers	5 years
Other leased assets	
- Motor vehicles	5-20 years
Laboratory equipment	5 - 7 years
Specialised vehicles	10 years
Heritage assets	Infinite
Cemetery	25 - 30 years
Stadium	25 - 30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Accounting Policies

1.6 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Impairment

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Initial recognition

Intangible assets are initially recognised at cost

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.7 Intangible assets (continued)

Subsequent measurement

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation and impairment

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	2 - 5 years

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

Accounting Policies

1.8 Heritage assets (continued)

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

Accounting Policies

1.9 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of **financial assets** (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The municipality has the following types of **financial liabilities** (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liability - Long term	Financial liability measured at amortised cost
Other financial liability - Short term	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at fair value

Initial recognition

Accounting Policies

1.9 Financial instruments (continued)

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Policies relating to specific financial instruments

Accounting Policies

1.9 Financial instruments (continued)

Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

All trade and other receivables are assessed at least annually for possible impairment. Impairment adjustments are made through the use of an allowance account. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Bank overdrafts and borrowings

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any differences between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy on borrowing costs.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Accounting Policies

1.10 Leases (continued)

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.The basis of determining the cost is the weighted average method.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

Accounting Policies

1.12 Construction contracts and receivables (continued)

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification of a potential impairment

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Recognition and measurement of cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and value added taxes.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP 21 - Impairment of non-cash generating assets.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Accounting Policies

1.16 Employee benefits (continued)

Leave pay

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The liability is based on the total amount of leave days due to the employees at reporting date and on the total cost to the municipality of the employees.

Annual Bonuses

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

The municipality pays out an annual bonus to its employees annually from the date of employment. A liability relating to the anticipated bonuses payable is raised and is based on the total cost to the municipality.

Long service awards

The entity provides long service awards to eligible employees, payable on completion of a certain number of years of employment. A provision is raised to account for the expected long service awards due to be paid in future years.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

The municipality does not provide any post employment benefits to any employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Accounting Policies

1.16 Employee benefits (continued)

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Accounting Policies

1.17 Provisions and contingencies (continued)

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Decommissioning, restoration and similar liability

The municipality has raised a provision for rehabilitation of landfill sites and this relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted over the a certain period as determined by the valuer. For key assumptions refer to Note 17 "Provisions"

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable excluding indirect taxes, rebates and discounts.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and revenue is recognised providing that the benefits can be measured reliably. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption.An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of the financial year.

Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards and other services provided on a pre-payment basis are only recognised as income once the related units are consumed.

Refuse removal

Revenue relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Tariff Charges

Revenue arising from the application of the approved tariff is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income from Agency fees

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations such as the .

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised. Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investments is treated in accordance with the grant conditions. If it is payable to the funders, it is recorded as part of creditors, and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when : it is probable that the economic benefits or service potential associated with the transactions will flow to the entity. The amount of revenue can be measured reliably and to the extent that the conditions have been discharged and there has been a compliance with any restrictions associated with the grant.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are granted to certain categories of rate payers, and these are deducted from revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Revenue from public contribution is recognised when all conditions associated with the contribution have been met or where contribution is to finance property, plant and equipment or when such items of property, plant and equipment are brought into use. Where contributions have been received but the conditions have not been met, a liability is recognised.

Services in-kind

Services in-kind are recognised as revenue and as assets.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Surplus or deficit

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

1.23 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets but discloses them

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefits is probable.

1.24 Commitments

Items are classified as a commitment when the Municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial period the Municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note to the financial statements.

1.25 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

Accounting Policies

1.25 Comparative figures (continued)

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.26 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Also included is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Internal reserves

Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the Self-Insurance Reserve is determined based on 5% of the insurance risk carried by the municipality and past claims history in terms of a Council Resolution and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experience.

The balance of the self-insurance fund is fully cash backed and is invested in call accounts.

Accounting Policies

1.30 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.31 Change in accounting policy,estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 - Accounting policies, changes in accounting estimate and errors, requirements except to the extent that it is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the notes to the financial statements where applicable.

1.32 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 01/07/16 to 30/06/17.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the financial statements

Comparative information is not required.

1.33 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Accounting Policies

1.33 Related parties (continued)

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed in the financial statements.

1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations Issued and Effective

The following accounting standards have been issued and are effective.These have been adopted by the municipality during the current financial period and the annual financial statements have been prepared in accordance with these.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 21	Impairment of non-cash generating assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budgeted Information
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets (replaces GRAP 102)
GRAP 100	Non-current assets held for sale and discontinued operations
GRAP 102	Intangible assets (replaced by GRAP 31)
GRAP 103	Heritage Assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104	Financial Instruments
GRAP 105	Transfer of functions between entities under common control - Issued November 2010
GRAP 106	Transfer of functions between entities not under common control - Issued November 2010
GRAP 107	Mergers - Issued November 2010

The following Interpretations have been issued and are effective.These have been adopted by the municipality during the current financial period and the annual financial statements have been prepared in accordance with these.

IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2	Changes in existing Decommissioning, Restoration and similar liabilities
IGRAP 3	Determining whether an arrangement contains a Lease
IGRAP 4	Rights to interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the restatement approach under the standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The limit on a defined benefit asset , Minimum funding requirements and their interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of non cash assets to Owners
IGRAP 10	Assets received from Customers
IGRAP 11	Consolidation - Special Purpose Entities
IGRAP 12	Jointly Controlled Entities - Non-Monetary Contributions
IGRAP 13	Operating Leases - Incentives
IGRAP 14	Evaluating the substance of transactions involving the Legal form of a lease
IGRAP 15	Revenue - Barter transactions Involving advertising Services
IGRAP 16	Intangible Assets - Website Costs

Where there is no equivalent standard of GRAP or IPSAS an International Financial Reporting Standard (IFRS) that is effective forms part of the GRAP reporting framework. This applies to the accounting standards below

IAS 12 (AC 102)	Income Taxes
IAS 24 (AC 126)	Related Party Disclosures
IAS 32 (AC 125)	Financial Instruments : Disclosure and presentation
IAS 39 (AC 133)	Financial Instruments : Recognition and measurement
IFRS 07 (AC 144)	Financial Instruments : Disclosures

2.2 Standards and interpretations issued, but not yet effective

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 20 Related Party Disclosures - Issued June 2011
GRAP 32 Service Concession Arrangements - Issued August 2013
GRAP 34 Separate Financial Statements - Issued March 2017
GRAP 35 Consolidated Financial Statements - Issued March 2017
GRAP 36 Investments in Associates and Joint Ventures - Issued March 2017
GRAP 37 Joint Arrangements - Issued March 2017
GRAP 38 Disclosure of Interests in Other Entities - Issued March 2017
GRAP 108 Statutory receivables - Issued September 2013
GRAP 109 Accounting by principals and agents - Issued July 2015

GRAP 20 Related Party Disclosures

This standard requires the disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity.The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 32 Service Concession Arrangements : Grantor

The objective of the standard is to prescribe the accounting for service concession arrangements by the grantor, a public entity. The municipality must assess whether it is a grantor i.e. has granted the right to use the service concession asset to the operator. This standard then requires the municipality to recognise an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if (a) the grantor controls or regulates what services the operator must provide with the asset,to whom it must be provided and at what price, and (b) the grantor controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement. Where a service concession asset is recognised, the grantor shall also recognise a liability at the same amount as the service concession asset.The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant. This standard does not yet have an effective date.

GRAP 34 Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The impact of this on the financial statements is not expected to be significant. This standard does not yet have an effective date.

GRAP 35 Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet the objective, this Standard:
(a) requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
(b) defines the principle of control, and establishes control as the basis for consolidation;
(c) sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
(d) sets out the accounting requirements for the preparation of consolidated financial statements; and
(e) defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

The impact of this on the financial statements is not expected to be significant. This standard does not yet have an effective date.

GRAP 36 Investments in Associates and Joint Ventures

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The impact of this on the financial statements is not expected to be significant. This standard does not yet have an effective date.

GRAP 37 Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet the objective, this Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

The impact of this on the financial statements is not expected to be significant. This standard does not yet have an effective date.

GRAP 38 Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
(a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
(b) the effects of those interests on its financial position, financial performance and cash flows.

The impact of this on the financial statements is not expected to be significant. This standard does not yet have an effective date.

GRAP 108 Statutory Receivables

This standard requires the entity to recognise any receivables that arise from legislation,supporting legislations, or similar means and requires settlement by the entity in cash or another financial asset as statutory receivables.The municipality shall recognise statutory receivables using the standard of GRAP on revenue from exchange transactions if the transaction is an exchange transaction or the standard of GRAP on revenue from non exchange transactions if it is a non exchange transaction. Where the transaction is not within the scope of the above, the receivable must be recognised when the definition of an asset is met. The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant. This standard does not yet have an effective date

GRAP 109 Accounting by principals and agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

The following interpretations have been issued by the Accounting Standards Board but has not been given an effective date by the Minister of Finance. The entity has not early-adopted this new interpretation, but has referred to it for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset - Issued August 2013

IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 17 - Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. The impact of this on the financial statements is not expected to be significant. This interpretation does not yet have an effective date

IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land.

The Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as its asset.

Management has considered all the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. The impact of this on the financial statements is not expected to be significant. This interpretation does not yet have an effective date

3. Inventories

Consumables Stores	6 445 005	6 546 891
Electrical Equipment	2 835 484	1 109 635
	9 280 489	**7 656 526**
Inventories recognised as an expense during the year	2 694 489	2 434 270

4. Receivables from exchange transactions

Litigation fees	-	122 874
Creditors with debit balances	344 773	596 232
Consumer debtors Other	9 809	9 809
Consumables Sundry Debtors	1 664 298	1 691 222
Consumer debtors - Electricity	50 117 573	40 781 742
Consumer debtors - Refuse (Filtered)	103 796 097	89 095 812
Consumer debtors - Rentals	107 706 701	99 301 744
Provision for Impairment	(218 589 523)	(200 444 710)
	45 049 728	**31 154 725**

Trade and other receivables pledged as security

The municipality does not have any receivables from exchange transactions that have been pledged as security

Fair value of trade and other receivables

Trade and other receivables	45 049 728	31 031 851

The fair value of trade and other receivables from exchange transactions approximates their carrying amount.

Trade and other receivables past due but not impaired

The normal credit term for the municipality is 30 days. At 30 June 2017, receivables of R 19 254 785 (2016: R 11 322 188) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
4. Receivables from exchange transactions (continued)		
1 month past due	913 194	4 539 770
2 months past due	5 417 990	702 643
3 months past due	1 472 829	840 575
Over 3 months	9 335 297	4 403 544
Penalties and interest	2 115 475	835 656

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R 218 589 523 (2016: R 200 444 710) were impaired and provided for.

The ageing of these amounts is as follows:

1 to 3 months	23 780 292	29 746 017
3 to 6 months	8 175 491	11 316 017
Over 6 months	134 233 386	118 587 486
Penalties and interest	52 400 353	40 795 190

Included in the above are receivables from exchange transactions as follows;

Electricity -Ageing		
Current	19 399 758	18 751 185
31 - 60 days	11 205 460	6 063 680
61 - 90 days	6 003 938	1 922 763
91 - 120 days	1 692 941	2 655 714
> 120 days	8 858 952	9 216 747
Penalties and interest	2 956 525	2 171 652
	50 117 574	**40 781 741**
Refuse - Ageing		
Current	1 878 859	3 799 522
31 - 60 days	1 878 190	1 350 855
61 - 90 days	1 569 818	1 337 564
91 - 120 days	1 647 265	1 205 927
> 120 days	77 307 362	67 355 566
Penalties and interest	19 514 603	14 046 378
	103 796 097	**89 095 812**
Rentals - Ageing		
Current	1 047 408	1 246 224
31 - 60 days	1 006 329	1 037 505
61 - 90 days	981 194	993 637
91 - 120 days	947 513	934 267
> 120 days	68 420 756	64 854 856
Penalties and interest	35 303 501	30 235 255
	107 706 701	**99 301 744**
Sundry debtors- Ageing		
Current	-	-
31 - 60 days	-	3 620
61 - 90 days	-	-
> 120 days	1 664 298	1 687 602
	1 664 298	**1 691 222**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	200 444 710	175 769 749
Provision for impairment	18 144 813	24 674 961
	218 589 523	**200 444 710**

Summary of debtors by customer classification	Consumers	Industrial/ Commercial	Government	Total
as at 30 June 2017				
Current	2 095 037	12 011 939	5 149 816	19 256 792
31 -60 days	1 975 440	10 491 137	1 623 402	14 089 979
61 - 90 days	1 825 185	4 261 474	2 468 292	8 554 951
91 - 120 days	1 790 462	2 228 148	269 109	4 287 719
>120 days	123 169 799	29 122 696	3 968 682	156 261 177
Penalties and interest	46 239 739	10 549 685	985 205	57 774 629
	177 095 662	68 665 079	14 464 506	260 225 247
Less provision for impairment	(174 825 530)	(43 763 993)	-	(218 589 523)
	2 270 132	**24 901 086**	**14 464 506**	**41 635 724**

Summary of debtors by customer classification	Consumers	Industrial/ Commercial	Government	Total
as at 30 June 2016				
Current	4 430 578	13 231 326	3 500 115	21 162 019
31 - 60 days	1 829 854	5 352 063	1 273 744	8 455 661
61 - 90 days	1 764 817	2 311 840	177 307	4 253 964
91 - 120 days	1 659 299	2 866 952	269 657	4 795 908
>120 days	113 223 624	26 480 566	3 420 390	143 124 580
Penalties and interest	38 049 569	7 781 224	622 492	46 453 285
	160 957 741	58 023 971	9 263 705	228 245 417
Less provision for impairment	(157 083 115)	(43 361 595)	-	(200 444 710)
	3 874 626	**14 662 376**	**9 263 705**	**27 800 707**

5. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	471 725	2 065 385
Consumer debtors old balances	70 564	70 564
Consumer debtors - Rates	219 497 870	200 696 123
Impairment	(180 374 274)	(184 904 134)
	39 665 885	**17 927 938**

Receivables from non-exchange transactions pledged as security

The municipality does not have any receivables from non exchange transactions that have been pledged as security.

Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	22 453 257	17 927 938

The fair value of trade and other receivables from non exchange transactions, approximates their carrying amount.

Figures in Rand	2017	2016

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

The normal credit term for the municipality is 30 days. At 30 June 2017, receivables of R 34 251 206 (2016: R 15 862 550) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 135 049	776 105
2 months past due	638 417	606 715
3 months past due	473 030	408 800
More than 3 months past due	27 220 629	7 384 760
Penalties and interest	4 784 081	1 052 891

Receivables from non-exchange transactions impaired

As of 30 June 2017, other receivables from non-exchange transactions of R 180 374 274 (2016: R 184 904 134) were impaired and provided for.

The ageing of the amounts impaired and provided for as follows:

1 to 3 months	11 313 140	25 976 134
3 to 6 months	7 598 749	6 803 501
Over 6 months	127 105 738	127 340 112
Penalties and interest	34 356 647	24 784 387

Included in the above are receivables from non-exchange transactions are as follows;

Rates - Ageing		
Current	10 349 074	22 039 763
31 - 60 days	3 375 974	3 211 527
61 - 90 days	2 928 367	2 953 284
91 - 120 days	3 121 173	2 532 181
> 120 days	160 518 010	143 048 779
Penalties and interest	39 719 451	26 910 589
	220 012 049	**200 696 123**
Other (old balances) - Ageing		
Current	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	70 564	70 564
> 120 days	-	-
	70 564	**70 564**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	184 904 134	147 684 235
Provision for impairment	(4 529 860)	37 219 899
	180 374 274	**184 904 134**

6. VAT receivable

VAT	32 300 997	12 561 308

Inputs to the value of R24 138 175 were disallowed by the South African Revenue Services. The municipality is in the process of investigating and recovering the disallowed amount.

Figures in Rand	2017	2016

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 050	1 050
Bank balances	5 217 053	6 236 869
Own investments- Short term	6 397 235	5 856 614
Other cash and cash equivalents	6 925 612	407 280
	18 540 950	**12 501 813**

Pledged as security

The municipality has ceded an investment equivalent to the principal loan amount plus interest calculated up to September 2003 in favour of the DBSA loan 10875/102.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Excess cash is invested with reputable financial institutions with good credit ratings.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB Call Account 62090323636	555 918	837 213	2 738 409	497 062	837 213	2 738 409
ABSA Call Account 4061496604	611 278	1 443 439	2 661 792	611 278	1 443 439	2 661 792
ABSA Cheque Account 4048218780	527 564	355 280	1 997 039	527 564	355 280	1 992 149
ABSA Cash Focus 4053806112	-	-	(224)	-	-	1 211
Self Insurance Reserve (Hollard Insurance Company - Experience Account)	3 425 513	3 045 886	2 692 908	3 425 513	3 045 886	2 692 908
ABSA Call Account MTAB 9061932550	541 839	16 741	514 265	541 839	17 190	516 167
Unclaimed Group Life Insurance ABSA 9057846202	2 544 216	2 398 819	2 283 953	2 544 216	2 409 564	2 292 307
ABSA Target Save - Various Accounts	188 486	179 012	171 331	188 486	179 010	171 331
ABSA Call Account Grant Admin 9260118400	16 455	15 683	25 768	16 455	15 753	25 866
ABSA Call Account Ngangelizwe ISUP 9264472169	991 135	1 936	110 783	991 135	1 989	111 192
Investic Bank Invest 1100456924	228 320	219 313	212 956	228 320	219 313	212 992
ABSA Call Account KSD Election 9260118662	148 761	2 671	251 467	148 761	2 721	252 393
ABSA Call Account KSD Intervention 4061496125	-	-	30 020	-	-	30 091
ABSA Call Account MSG 9097169945	56 907	54 395	53 893	56 907	54 395	54 092
ABSA Call Account Mqanduli Miiing 9118441412	3 602	3 679	3 728	3 577	3 676	3 709
ABSA Call Account Rural Planning 9260110101	137 469	3 436	449 277	137 442	3 492	450 906
ABSA Call Account Uphuhlisolwethu 9260112632	5 550	5 310	167 114	5 550	5 334	167 729
ABSA Call Account Organogram Dev 9260110397	310 438	5 888	294 477	310 438	5 958	295 562

Figures in Rand					2017	2016
7. Cash and cash equivalents (continued)						
ABSA Call Account Mqanduli Middle Income 9095799392	351 528	5 528	333 652	351 528	5 528	334 886
ABSA Call Light The Pilot 9260109699	-	8 082	236 947	-	8 152	237 819
FNB Cheque 62471836513	3 520 028	3 570 268	248 080	3 581 148	3 600 936	92 609
FNB Call 62480366345 DOE Electrification	74 061	16 268	3 573 255	74 061	16 268	3 573 255
FNB Call 62480370031FMG	26 050	2 280	67 349	26 050	2 280	67 349
FNB Call Account 62480368838 MIG Account UCCMIP	2 855 785	13 052	1 000	2 855 785	13 052	1 000
FNB Call Account 62480371592 MSIG	-	3 922	205 060	-	3 922	205 060
FNB Call Account 62480372863 Library	44 509	3 644	1 070 313	44 509	3 644	1 070 313
FNB Call Account 62486520151 Infrastructure Skills Dev	24 520	2 896	360 774	24 520	2 896	360 774
FNB Call Account 62500280516 LED Support	56 155	1 686	106 674	56 155	1 686	106 674
FNB Call Account 62500281936 Chamber of Mines	1 860	1 842	1 241 907	1 860	1 842	1 241 907
FNB Call Account 62504407801 Ngangelizwe Urban Ren	75 337	2 797	2 788 938	75 337	2 797	2 788 938
FNB Call Account 62504409477 Disaster Management	2 535	5 905	2 277 899	2 535	5 905	2 277 899
FNB Call Account 62504410383 Fire Station	59 160	4 330	2 340 938	59 160	4 330	2 340 938
FNB Call Account 62504411315 ISUP Phola Park	271 037	6 755	2 732 731	271 037	6 755	2 732 731
FNB Call Account 62504412066 ISUP Maydene	-	6 300	6 237	-	6 300	6 237
FNB Call Account 62504413741 Transkei United Dairies	23 851	23 712	27 066	23 851	23 712	27 066
FNB Call Account 62504414608 Maydene Farm Extension	11 763	34 730	125 281	11 763	34 730	125 281
FNB Call Account 62504417420 Zimbane Heights	2 085	40 109	47 654	2 085	40 109	47 654
FNB Call Account 62504418022 ISUP Hillcrest	55 605	43 482	33 357	55 605	43 482	33 357
FNB Call Account 62504444639 DOT Taxi Rank	187 341	8 105	7 263 487	187 341	8 105	7 263 488
FNB Call Account 62505830811 ISUP Joe Slovo	411 353	9 638	412 298	411 353	9 638	412 298
FNB Call Account 62521207911 Electricity Demand Side	-	644	146 420	-	644	146 420
FNB Call Account 62523941070 New Brighton	106 607	10 590	10 473	106 607	10 590	10 473
FNB Call Account 62523942408 Kei Rail	11 175	10 590	10 474	11 175	10 590	10 473
FNB Call Account 62557024785 H S Graduates	61 193	29 816	-	61 193	29 816	-
FNB Call Account 62559404092 Asset Financing	10 699	2 856	-	10 699	2 841	-
Total	**18 537 688**	**12 458 528**	**40 327 220**	**18 539 900**	**12 500 763**	**40 185 705**

Figures in Rand	2017	2016

8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	245 733 500	-	245 733 500	228 859 454	-	228 859 454

Reconciliation of investment property - 2017

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	228 859 454	(2 104 500)	18 978 546	245 733 500

Reconciliation of investment property - 2016

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	205 205 355	3 497 454	(796 500)	20 953 145	228 859 454

Pledged as security

The municipality does not have any investment property that is pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Friday, 30 June 2017. Revaluations were performed by an independent valuer, Mr Kwasi
Agyaben-Boateng, B.Sc Honours (Land Economy) and registered as a professional valuer in terms of the Valuers Act (Registration No 3550/9), of Khanyisa Property Management Services. Khanyisa Property Management Services are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus and deficit for the year

Rental revenue from investment property	1 559 449	1 449 231
Fair value adjustments recognised in surplus or deficit	(947 500)	20 953 145

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	233 573 000	-	233 573 000	234 584 500	-	234 584 500
Buildings	303 051 461	(46 318 183)	256 733 278	302 860 461	(30 476 795)	272 383 666
Infrastructure	1 972 251 615	(1 132 349 199)	839 902 416	1 981 119 712	(1 083 864 918)	897 254 794
Community	470 656 209	(61 407 491)	409 248 718	468 166 690	(47 192 089)	420 974 601
Other property, plant and equipment	22 519 276	(17 149 336)	5 369 940	20 830 099	(15 694 352)	5 135 747
Work In Progress	774 214 198	-	774 214 198	474 704 764	-	474 704 764
Specialised vehicles	51 211 594	(20 085 054)	31 126 540	40 959 137	(13 924 690)	27 034 447
Total	**3 827 477 353**	**(1 277 309 263)**	**2 550 168 090**	**3 523 225 363**	**(1 191 152 844)**	**2 332 072 519**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	234 584 500	-	(1 011 500)	-	-	233 573 000
Buildings	272 383 666	191 000	-	-	(15 841 388)	256 733 278
Infrastructure	897 254 794	1 339 824	-	49 400 211	(108 092 413)	839 902 416
Community	420 974 601	260 000	-	2 229 519	(14 215 402)	409 248 718
Other property, plant and equipment	5 135 747	1 689 175	-	-	(1 454 982)	5 369 940
Work In Progress	474 704 764	351 139 164	-	(51 629 730)	-	774 214 198
Specialised vehicles	27 034 447	10 569 385	-	-	(6 477 292)	31 126 540
	2 332 072 519	**365 188 548**	**(1 011 500)**	**-**	**(146 081 477)**	**2 550 168 090**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	235 860 500	-	(1 276 000)	-	-	-	234 584 500
Buildings	255 875 731	32 217 930	-	-	(15 709 995)	-	272 383 666
Infrastructure	861 545 746	48 575 029	(1 776 855)	101 186 632	(111 949 315)	(326 443)	897 254 794
Community	436 819 060	1 117 940	-	3 895 450	(20 857 849)	-	420 974 601
Other property, plant and equipment	6 690 829	1 175 680	(16 537)	-	(2 714 225)	-	5 135 747
Work In Progress	344 361 625	235 425 221	-	(105 082 082)	-	-	474 704 764
Specialised vehicles	31 496 643	8 897 188	(2 240 508)	-	(11 118 876)	-	27 034 447
	2 172 650 134	**327 408 988**	**(5 309 900)**	**-**	**(162 350 260)**	**(326 443)**	**2 332 072 519**

Pledged as security

The municipality has ceded to DBSA all rights, title and interest to residential properties owned by it valued at approximately R12 million in relation to the DBSA loan 13335/201.

The Munitata building, Erf 9441, 47 to 49, was ceded to PIC as security for a loan.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

9. Property, plant and equipment (continued)

Assets subject to finance lease

Included under other property, plant and equipment are 160 computers which are under a finance lease from Information Communication Technology (Pty) Ltd with a total carrying amount of R435 514 (2016: R1 279 260).

Revaluations

The effective date of the revaluations was . Revaluations were performed by independent valuer, Mr Kwasi Agyaben-Boateng, of Messrs Khanyisa Property Management Services. Messrs Khanyisa Property Management Services are not connected to the municipality.

Land, buildings and community assets are re-valued independently after 3 - 5 years.

These assumptions used were based on current market conditions.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 416 037	(1 472 064)	943 973	2 416 037	(1 098 786)	1 317 251

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	1 317 251	(373 278)	943 973

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	1 694 387	(377 136)	1 317 251

Pledged as security

The municipality does not have any intangible assets that are pledged as security.

11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Recreational parks	4 697 000	-	4 697 000	4 697 000	-	4 697 000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

11. Heritage assets (continued)

Reconciliation of heritage assets 2017

	Opening balance	Total
Recreational parks	4 697 000	4 697 000

Reconciliation of heritage assets 2016

	Opening balance	Total
Recreational parks	4 697 000	4 697 000

12. Other financial liabilities

At amortised cost		
Annuity Loan DBSA	23 150 414	23 937 370
DBSA loan 61001245 is redeemable in March 2018 and borrowing rate is 15%. DBSA loan 61003135 is redeemable in December 2020 and borrowing rate is based on the 6 month JIBAR + Margin rate. DBSA loan 61001048 is redeemable in 2026 and a borrowing rate is 6.75 %.		
Annuity Loan PIC	14 707 399	17 253 441
PIC loan is redeemable in December 2018 and the borrowing rate is 8% . KSD cedes to PIC in securitatem debiti rights in the Municipal Building of KSD situated at ERF 9441, 47 to 49 Sutherland Street Mthatha measuring 8.309 square metres.		
	37 857 813	**41 190 811**
Non-current liabilities		
Designated at fair value	-	-
Annuity Loan - DBSA	19 620 119	21 209 099
Annuity Loan - PIC	7 956 031	10 753 443
	27 576 150	**31 962 542**
Current liabilities		
Designated at fair value	-	-
Annuity Loan DBSA	3 530 295	2 728 271
Annuity Loan - PIC	6 751 368	6 499 998
	10 281 663	**9 228 269**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. Finance lease obligation

Minimum lease payments due		
- within one year	508 734	1 220 389
- in second to fifth year inclusive	7 928	516 654
	516 662	1 737 043
less: future finance charges	(81 148)	(457 783)
Present value of minimum lease payments	**435 514**	**1 279 260**
Present value of minimum lease payments due		
- within one year	427 910	843 746
- in second to fifth year inclusive	7 604	435 514
	435 514	**1 279 260**
Non-current liabilities	7 604	435 514
Current liabilities	427 910	843 746
	435 514	**1 279 260**

The Information Communication Technology (Pty Ltd computer finance computer leases contract was entered into during the 2014/15 financial year. The finance lease is for the period of 3 years and each computer's lease period begins on the delivery date and expires after 3 years. The finance lease balance had a balance of R435 514 (2016: R1 279 260) and attracts an average interest rate of 18%.

14. Payables from exchange transactions

Trade payables	194 325 018	106 217 531
BT Ngebs	2 852 314	16 721 958
Operating lease smoothing	21 571	21 571
Deferred interest	42 753	18 392
Income Received In Advance	2 078 447	1 970 704
Salary payovers	27 489 798	17 984 767
Staff Prepaid Houses	1 075 999	1 075 999
Study Loans	24 335	24 335
Retentions	7 317 151	6 306 941
National Revenue Fund Funds to be surrendered	1 285 257	1 285 257
Unknown Deposits	8 705 650	7 509 373
Insurance Claims	2 500	192 701
Other payables	32 972 612	29 947 537
Deposits received	1 506 533	1 348 483
Accrued expense	7 091 554	13 001 061
Accrued Leave Pay and Bonus	52 186 811	51 654 865
Unclaimed Group Life	2 014 240	2 014 240
	340 992 543	**257 295 715**

The fair value of Trade and other payables approximates the carrying amount.

15. Consumer deposits

Electricity	17 015 925	15 718 570

Figures in Rand	2017	2016

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National: Department of Energy- Electrification Projects	(788 735)	1 559 320
Grant Admin Development	-	15 608
Provincial: Municipal Infrastructure Grant	2 151 412	12 060
Provincial: Department of Housing	333 652	333 652
Provincial : Uphuhliso Lwethu	-	5 280
Provincial: Rural Planning and Survey	126 943	449 250
Provincial: KSD Elections- Road Maintenance	109 543	1 251 467
Library Grant	(287 641)	640 286
LED Support	-	1 668
Infrastructure Skills Development	1 294 073	54 685
Human Settlements Projects	2 864 836	5 806 574
Human Settlements Graduates	104 803	128 775
Electricity Demand Side Management	(11 054)	429
FMG	51 152	450 969
Provincial : Organogram Development	294 477	294 477
Provincial: MTAB Grant	514 265	514 265
Provincial: Municipal Systems Improvement Grant	-	(12 060)
Provincial: Multipurpose Community Centre	-	10
Provincial: Light the Pilot Media	-	236 947
Provincial: Urban Renewal Grant	2 779 830	2 779 830
Provincial : Department of Transport- Taxi Rank	7 236 277	7 236 277
Provincial: Disaster Management	-	1 536 138
Provincial: Fire Station Refurbishment	155 714	720 570
Provincial : Municipal Support Grant	-	53 893
Chamber of Mines Grant	352 882	352 882
	17 282 429	**24 423 252**

Movement during the year

Balance at the beginning of the year	24 423 252	22 461 136
Additions during the year	163 967 717	165 444 937
Income recognition during the year	(169 119 397)	(162 854 723)
Re-allocation of funds	(1 979 027)	(2 206 000)
Reclassification to sundry debtors	-	1 676 360
Interest payover to Human Settlements	(136 114)	(377 737)
Interets received	125 998	279 279
	17 282 429	**24 423 252**

17. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Change in discount factor	Total
Provision for long service awards	15 201 847	383 072	-	15 584 919
Environmental rehabilitation	22 026 719	-	1 616 770	23 643 489
	37 228 566	**383 072**	**1 616 770**	**39 228 408**

Figures in Rand	2017	2016

17. Provisions (continued)

Reconciliation of provisions - 2016

	Opening Balance	Reductions	Change in discount factor	Total
Provision for long service awards	17 536 000	(2 334 153)	-	15 201 847
Environmental Rehabilitation	21 400 390	-	626 329	22 026 719
	38 936 390	**(2 334 153)**	**626 329**	**37 228 566**

Environmental rehabilitation provision

The provision relates to the rehabilitation of landfill sites. At the current valuation date, 30 June 2017 the duration of the liability was 13 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2017 is 8.76% per annum. The assumed discount rate used at the previous valuation, 30 June 2016, was 9.08% per annum determined in the same way. At 30 June 2017 the yield on inflation linked bonds of a similar term was about 2.31% per annum. This implies an underlying expectation of inflation of 5.5% per annum with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases of 0% (2016: 0%). An adjustment was made to correct the financial statements so that there is consistency between the financial statements as well as the information provided by the external valuer Enzokuhle Enterprise.

Provision for long service awards

Service cost increased the liability by R1 731 411. Interest cost over the valuation period resulted in an increase in liability by R1 195 410. Some of the employees attained milestones during the valuation period and this resulted in bonus payments of R2 073 617 which reduced the accrued liability by the same margin.

The average liability has increased by 4% due to an increase in the average salary and an increase in the average past service, partially offset by an increase in the net discount rate.
The total liability has increased by 3% (or R 383 072) due to the above, partially offset by the fact that there are eleven fewer eligible employees than at the last valuation.

Provision for long service award	2017	2016
Opening net liability	15 201 847	17 536 000
Service cost	1 731 411	2 029 000
Interest cost	1 195 410	1 371 000
Actuarial loss	(470 132)	(3 458 153)
Bonus Paid	(2 073 617)	(2 276 000)
	15 584 919	**15 201 847**

18. Revaluation reserve

Opening balance	383 988 031	384 413 531
Change during the year	-	(425 500)
	383 988 031	**383 988 031**

The revaluation reserve arises out of revaluation of land and buildings.

19. Self insurance reserve

The self-insurance reserve is established to cater for declined or disputed insurance claims.

Opening balance	3 045 886	2 692 908
Movement during the year	379 627	352 978
	3 425 513	**3 045 886**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

20. Service charges

Sale of electricity	314 858 451	281 197 609
Refuse removal	35 569 040	34 933 957
	350 427 491	**316 131 566**

21. Rental of facilities and equipment

Premises		
Rental of facilities	360 217	428 607
Rental of Equipment	958 052	1 635 027
Premises	12 975 813	13 129 662
	14 294 082	**15 193 296**

22. Licences and permits

Licence fees - Drivers Licence	4 959 919	4 843 993
Vehicle registration and roadworthy fees	1 661 072	1 526 628
Motor vehicle registration fees	8 321 900	7 437 211
Licence fees - Business	93 476	67 469
Permits - Vending and Hawking	118 188	104 291
	15 154 555	**13 979 592**

23. Other Income

Library fees	67 261	140 588
Reversal of provision for Long Service Awards	-	2 334 153
Disconnection fees	745 989	483 834
Meter testing	806 525	775 077
Building plan approvals	719 702	1 323 213
Call out revenue	94 757	24 517
Insurance Claims	91 084	-
Sundry income	960 642	752 643
Tender fees	28 070	545 692
Recoveries	673 989	609 016
Pound fees	19 071	15 090
Fees earned	6 119 701	6 792 297
Printing and stationery recoveries	5 627	115 711
	10 332 418	**13 911 831**

24. Investment revenue

Interest revenue		
Interest from investments and bank	1 834 496	3 340 930
Interest charged on trade and other receivables	37 110 742	32 000 110
	38 945 238	**35 341 040**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

25. Property rates

Rates received

Residential	42 908 808	39 829 181
Commercial	66 755 995	62 244 557
State	81 502 042	77 991 444
Municipal - parking	53 798	514 211
	191 220 643	**180 579 393**

Valuations

Residential	7 897 555 500	7 897 555 500
Commercial	4 086 428 500	4 086 428 500
State	3 391 072 500	3 391 072 500
Municipal	2 011 314 000	2 011 314 000
Small holdings, farms and agriculture	59 104 000	59 104 000
Open spaces	44 651 500	44 651 500
Places of public worship	109 630 000	109 630 000
Vacant Land	583 187 000	583 187 000
	18 182 943 000	**18 182 943 000**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The Department of Education has become the sole custodian for schools therefore the schools property category now falls under "State".

26. Government grants and subsidies

Operating grants

Equitable share	249 413 000	251 210 000
MIG	4 258 452	1 612 413
VAT Operational	586 475	133 793
Electricity Demand Side Management Grant	7 028 664	-
Disaster Management Grant	1 531 855	728 780
Infrastructure Skills Development	3 645 230	3 456 119
Elections Road Repairs Grant	1 124 494	-
Human Settlements: Graduates	751 644	714 002
Langeni Rural Planning and Survey	287 977	-
SETA Grant	593 040	876 526
MSIG Grant	(12 060)	1 000 341
FMG	2 109 029	1 193 928
Various grants	6 947	266 578
Library Grant	2 593 433	2 025 696
Expanded Public Program Grant	4 068 501	1 471 000
	277 986 681	**264 689 176**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Government grants and subsidies (continued)

Capital grants		
Provincial: Infrastructure Intervention	55 302 304	52 350 656
Fire Station Refurbishment	549 210	1 612 880
MIG	78 873 506	74 189 113
VAT Capital	12 958 216	12 152 826
Human Settlement	37 929 412	45 761 419
DOE Grant	14 340 398	18 006 237
	199 953 046	**204 073 131**
	477 939 727	**468 762 307**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	210 313 548	202 651 584
Unconditional grants received		
Equitable Share	249 413 000	251 210 000
SETA	593 040	876 526
Expanded Public Program Grant	4 068 501	1 471 000
VAT Operational	586 475	133 793
VAT Capital	12 958 216	12 152 826
Various Grants	6 947	266 578
	477 939 727	**468 762 307**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy and the total expenditure for the period was R 23 323 696 (2016: R17 396 216), which is funded from the grant.

Human Settlements ISUP

Balance unspent at beginning of year	5 806 574	3 348 266
Current-year receipts	35 467 045	50 418 161
Conditions met - transferred to revenue	(38 399 167)	(45 761 418)
Interest received	125 998	279 279
Transfer from MPCC	-	107 430
Transfers out	500	(2 207 460)
Interest payover	(136 114)	(377 684)
	2 864 836	**5 806 574**

Conditions still to be met - remain liabilities (see note 16).

Electricity Demand Site Management

Balance unspent at beginning of year	429	106 429
Current-year receipts	8 000 000	-
Conditions met - transferred to revenue	(8 011 483)	-
Re-allocation of funds	-	(106 000)
	(11 054)	**429**

Conditions still to be met - remain liabilities (see note 16).

Grant Admin Development

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Government grants and subsidies (continued)

Balance unspent at beginning of year	15 608	15 979
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(371)
Other - Grant closed	(15 608)	-
	-	**15 608**

Conditions still to be met - remain liabilities (see note 16).

DOHS: Community Multipurpose Centre Ngangelizwe

Balance unspent at beginning of year	10	10
Other	(10)	-
	-	**10**

Conditions still to be met - remain liabilities (see note 16).

Uphuhliso Lwethu

Balance unspent at beginning of year	5 280	167 114
Conditions met - transferred to revenue	-	(161 834)
Other - Grant closed	(5 280)	-
	-	**5 280**

Conditions still to be met - remain liabilities (see note 16).

Provincial: MTAB Grant

Balance unspent at beginning of year	514 265	514 265
Current-year receipts	-	-
	514 265	**514 265**

Conditions still to be met - remain liabilities (see note 16).

Municipal Infrastructure Grant

Balance unspent at beginning of year	12 060	-
Current-year receipts	97 213 000	83 665 000
Conditions met - transferred to revenue	(93 397 287)	(85 329 300)
Other	(1 676 361)	1 676 360
	2 151 412	**12 060**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Government grants and subsidies (continued)

National: Financial Management Grant

Balance unspent at beginning of year	450 969	-
Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(2 209 817)	(1 224 031)
	51 152	**450 969**

Conditions still to be met - remain liabilities (see note 16).

Municipal Systems Improvement Grant

Balance unspent at beginning of year	(12 060)	105 421
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(1 047 481)
Other - Grant closed	12 060	-
	-	**(12 060)**

Conditions still to be met - remain liabilities (see note 16).

Provincial: Rural planning & survey

Balance unspent at beginning of year	449 250	449 250
Current-year receipts	-	-
Conditions met - transferred to revenue	(322 307)	-
	126 943	**449 250**

Conditions still to be met - remain liabilities (see note 16).

Provincial : Light the Pilot Media

Balance unspent at beginning of year	236 947	236 947
Current-year receipts	-	-
Other - Grant closed	(236 947)	-
	-	**236 947**

Conditions still to be met - remain liabilities (see note 16).

Provincial: KSD Elections- Road Maintanance

Balance unspent at beginning of year	1 251 467	251 720
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(1 141 924)	(253)
	109 543	**1 251 467**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Government grants and subsidies (continued)

Department of Housing and Local Government

Balance unspent at beginning of year	333 652	333 652
Current-year receipts	-	-
	333 652	**333 652**

Conditions still to be met - remain liabilities (see note 16).

Library Grant

Balance unspent at beginning of year	640 286	1 060 496
Current-year receipts	1 750 000	1 714 000
Conditions met - transferred to revenue	(2 676 870)	(2 134 210)
Other	(1 057)	-
	(287 641)	**640 286**

Conditions still to be met - remain liabilities (see note 16).

Provincial: Urban Renewal Grant

Balance unspent at beginning of year	2 779 830	2 779 830

Conditions still to be met - remain liabilities (see note 16).

Infrastructure Skills Development

Balance unspent at beginning of year	54 685	357 422
Current-year receipts	5 000 000	3 200 000
Conditions met - transferred to revenue	(3 760 612)	(3 502 737)
	1 294 073	**54 685**

Conditions still to be met - remain liabilities (see note 16).

Organogram Development Grant

Balance unspent at beginning of year	294 477	294 477

Conditions still to be met - remain liabilities (see note 16).

Department of Transport

Balance unspent at beginning of year	7 236 277	7 236 277

Conditions still to be met - remain liabilities (see note 16).

Provincial : Disaster Management Grant

Balance unspent at beginning of year	1 536 138	2 270 515
Conditions met - transferred to revenue	(1 535 466)	(734 377)
Other	(672)	-
	-	**1 536 138**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Government grants and subsidies (continued)

Provincial Fire Station Refurbishment Grant

Balance unspent at beginning of year	720 570	2 333 450
Conditions met - transferred to revenue	(564 765)	(1 612 880)
Other	(91)	-
	155 714	**720 570**

Conditions still to be met - remain liabilities (see note 16).

Provincial:Municipal Support Grant

Balance unspent at beginning of year	53 893	53 893
Other - Grant closed	(53 893)	-
	-	**53 893**

Conditions still to be met - remain liabilities (see note 16).

LED Support

Balance unspent at beginning of year	1 668	106 411
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(104 743)
Other - Grant closed	(1 668)	-
	-	**1 668**

Conditions still to be met - remain liabilities (see note 16).

LLR Chamber of Mines

Balance unspent at beginning of year	352 882	352 882

Conditions still to be met - remain liabilities (see note 16).

National: Department of Energy - Electrification Projects

Balance unspent at beginning of year	1 559 320	86 430
Current-year receipts	14 000 000	22 000 000
Conditions met - transferred to revenue	(16 348 055)	(20 527 110)
	(788 735)	**1 559 320**

Conditions still to be met - remain liabilities (see note 16).

Human Settlements - Graduates

Balance unspent at beginning of year	128 775	-
Current-year receipts	727 672	842 777
Conditions met - transferred to revenue	(751 644)	(714 002)
	104 803	**128 775**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Government grants and subsidies (continued)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Public contributions and donations

Public contributions and donations	167 751 179	108 910 623
Financial assistance	-	5 111 655
	167 751 179	**114 022 278**

Donations received and financial assistance relates to roads that were contructed by SANRAL and District Municipality in the current Financial Year as well as payments made by COGTA on behalf of the municipality to. aying the amount as it was overdue.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Employee related costs

Basic	215 745 084	193 336 262
Acting allowances	5 605 213	6 897 166
Overtime payments	17 793 426	10 505 317
Bonus- Annual Leave	14 423 147	13 726 824
Medical aid - company contributions	20 390 320	24 641 630
Pension and Provident Fund Contribution	28 875 066	26 338 993
UIF	1 993 237	1 838 559
WCA	2 126 076	1 755 543
SDL	65 029	-
Leave pay provision charge	8 437 035	7 221 781
Travel, motor car, accommodation, subsistence and other allowances	15 058 486	14 519 870
Long-service awards	5 514 859	5 353 226
Housing benefits and allowances	19 012 399	17 430 521
Termination benefits	5 570 493	5 341 508
	360 609 870	**328 907 200**

Remuneration of municipal manager

Annual Remuneration	1 249 596	310 742
Back pay	13 258	-
Contributions to UIF, Medical and Pension Funds	1 785	446
Other	35 323	4 804
	1 299 962	**315 992**

Remuneration of chief finance officer

Annual Remuneration	1 237 193	1 109 210
Car Allowance	-	65 855
Performance Bonuses	6 357	67 670
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Other	64 495	52 869
	1 309 830	**1 297 389**

Remuneration of Director: Technical Services

Annual Remuneration	1 266 237	1 209 334
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Other	222 099	81 762
	1 490 121	**1 292 881**

Remuneration of Director: Community Services

Annual Remuneration	1 249 985	1 185 871
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Other	123 452	82 987
	1 375 222	**1 270 643**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Employee related costs (continued)

Remuneration of Director: Corporate services

Annual Remuneration	1 278 309	1 100 652
Car Allowance	-	112 091
Acting allowance	144	-
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Other	21 923	56 965
	1 302 161	**1 271 493**

Remuneration of Director : Public Safety

Annual Remuneration	1 284 881	1 100 652
Car Allowance	-	112 091
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Other	52 487	47 724
	1 339 153	**1 262 252**

Remuneration of Director : Human Settlements

Annual Remuneration	1 270 088	1 216 816
Contributions to UIF, Medical and Pension Funds	1 785	1 784
Other	9 600	29 642
	1 281 473	**1 248 242**

Remuneration of Director: Local Economic Development

Annual Remuneration	1 036 298	1 185 871
Car Allowance	-	24 620
Acting Allowance	106 843	-
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Other	91 881	26 757
	1 236 807	**1 239 033**

29. Remuneration of councillors

Executive Mayor (Previous) - Cllr N Ngqongwa	36 049	851 302
Executive Major (Current) - Cllr D M Zozo	767 319	-
Chief Whip (Previous) - Cllr Z M Gusana	27 699	658 225
Chief Whip (Current) - S Nyengane	572 089	-
Speaker (Previous) - D M Zozo	32 254	622 986
Speaker (Current) - N R Gcingca	659 349	-
Councillors	21 725 093	20 554 751
	23 819 852	**22 687 264**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and the Speaker of the Council have the use of separate Council owned vehicles for official duties.

30. Depreciation and amortisation

Property, plant and equipment	146 454 753	162 727 396

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
31. Impairment loss		
Impairments		
Property, plant and equipment	-	326 443
32. Finance costs		
Borrowings	3 514 705	8 899 119
Trade and other payables	11 213 030	5 282 851
	14 727 735	**14 181 970**
33. Debt impairment		
Impairment of debtors	14 168 480	62 068 327
34. Repairs and maintenance		
Buildings	941 071	596 575
Computer equipment and software	19 000	365 887
Electrical	27 081 237	9 019 665
Fencing	1 325	53 623
Furniture and office equipment	7 882	32 217
Roads and streets	15 188 584	12 156 025
Toilets	63 580	505
Tools and equipment	40 747	61 069
Traffic	7 470 924	4 397 357
Vehicles, machinery and plant	4 396 012	2 891 170
	55 210 362	**29 574 093**
35. Bulk purchases		
Electricity	250 059 345	228 801 144
36. Contracted services		
Collection of arrear debts	8 707 039	5 643 494
Tourism	148 500	162 739
Revenue collection	982 301	841 280
Agency Fees Security Services	714 563	1 994 784
	10 552 403	**8 642 297**

Notes to the Annual Financial Statements

Figures in Rand		2017	2016

37. Grants and Subsidies paid

Other subsidies			
Other grants		1 039 621	933 717
Council ward committees		9 620 044	3 928 000
Municipal systems improvement grant		-	1 023 743
SETA		3 801	476 816
Bursaries		70 615	503 261
Organogram development		88	-
Public expense		584 558	1 569 342
Indigent Subsidy		23 323 696	17 396 216
Uphuhliso Lwethu		-	161 834
Expanded Public works program		1 683 793	1 730 614
Department of Local Government		1 965 505	796 546
Electricity demand side management		7 028 664	-
Infrastructure skills development grant		3 933 369	2 880 466
Finance Management Grant		1 382 750	1 909 621
Library grant		2 413 105	1 874 328
Ward based budgeting		2 821 176	2 764 061
		55 870 785	**37 948 565**

38. General expenses

Advertising		348 104	542 663
Audit committee expenses		95 735	185 397
Auditors remuneration		8 066 281	8 007 208
Bank charges		1 031 013	860 931
Cleaning		822 156	1 001 488
Commission paid		2 534 736	2 378 505
Community development and training		1 071 415	1 642 036
Conferences and seminars		275 948	396 598
Consulting and professional fees		3 988 917	5 527 936
Consumables		2 125 403	1 893 337
Donations		11 249	1 170
Entertainment		589 773	244 803
Erven Cleaning Fees		53 071	76 219
Incentive - Prompt Payment		12 981 820	-
Fuel and oil		5 244 478	6 240 511
Insurance		2 438 568	3 217 342
Legal Fees		15 371 394	13 005 907
Levies		6 646 010	6 097 257
Litigation fees	56	12 139 523	-
Magazines, books and periodicals		81 345	2 280
Material & Stores		2 694 489	2 434 270
Motor vehicle expenses		257 921	255 596
Municipal Service Charges		5 983 867	3 563 580
Other expenses		3 630 438	4 572 637
Printing and stationery		2 408 926	2 515 063
Promotions and sponsorships		405 584	652 175
Recruitment Expenses		366 237	148 259
Rehabilitation of Tip Sites		5 911 883	2 797 746
Royalties and license fees		2 187 244	2 779 631
Solid waste management		411 478	680 968
Staff welfare		27 129	69 594
State Funeral Expenses		-	-
Subscriptions and Membership Fees		4 153	1 897
Subsistence & Travelling		1 701 858	1 989 126
Telephone and fax		8 232 415	6 708 694
Tourism Development		-	49 268
Training		2 557 214	3 573 925

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
38. General expenses (continued)		
Uniforms	598 788	1 439 260
Valuation expenses	548 693	400 658
	113 845 256	**85 953 935**
39. Fair value adjustments		
Investment property (Fair value model)	18 978 546	20 953 145
40. Auditors' remuneration		
Fees	8 066 281	8 007 208

41. Operating lease

The municipality has entered into various operating lease agreements for the lease of printers and copiers.The lease periods vary between 3 and 5 years with an annual escalation of 10% on the annual rentals.

Operating Lease Obligation	2017	2016
Payable within 12 months	1 352 341	1 739 069
Payable within 2 - 5 years	51 015	1 403 356
	1 403 356	**3 142 425**

42. Cash generated from operations

Surplus	221 575 985	174 039 110
Adjustments for:		
Depreciation and amortisation	146 454 753	162 727 396
Gain on write-off of finance lease liability	-	(4 669 473)
Loss on sale of assets and liabilities	3 033 300	4 303 254
Fair value adjustments	(18 978 546)	(20 953 145)
Impairment deficit	-	326 443
Debt impairment	14 168 480	62 068 327
Movements in provisions	1 999 842	(1 707 824)
Other non-cash items - Donations	(167 751 179)	(108 910 624)
Changes in working capital:		
Inventories	(1 623 963)	(937 860)
Receivables from exchange transactions	(13 895 003)	(3 413 467)
Movement in provision for debt impairment	(14 168 480)	(62 068 327)
Receivables from non-exchange transactions	(21 737 947)	(5 449 763)
Payables from exchange transactions	83 696 828	32 806 580
VAT	(19 739 679)	(21 048 948)
Unspent conditional grants and receipts	(7 140 823)	1 962 116
Consumer deposits	1 297 355	2 962 040
	207 190 923	**212 035 835**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

43. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

43. Budget differences (continued)

Only variances exceeding 10% or R1 million are considered material and have been explained below.

Service charges

KSD has not collected refuse collection based on budgeted amounts due to private companies collecting refuse KSD does not have enough trucks to collect revenue, hence the involvement of private companies.

Rental of facilities and equipment

This is due to undercollection on the Stadiums and Community Hals.

Other income

This is due to reduction in the direct income received by the municipality and inclusion of VAT refunds.

Grants and subsidies

The underspending is due to unfunded commitments by Human Settlements and old grants that could not be spent due to litigation on the projects funded.

Investement Income

This is due to slow recovery of debtors resulting in an increase in the interest charged and reduction in the interest on investments due to reduction oin own investment.

Fines, Penalties and Forfeitures

This is due to undercollection of direct income in the form of fines and penalties.

Public contributions and donations

The revenue reates to donations in kind in the form of roads by district municipality and SANRAL.

Employee related Costs

The underspending is due to cash flow challenges that resulted in the inability of the municipality to fill vacant posts.

Remuneration of councillors

The underspending is due to cash flow challenges that resulted in the inability of the municipality to fill vacant posts.

Depreciation

This is due to reduction in the impairment of assets and assets reaching their residual and some being fully depreciated.

Lease rentals on operating lease

This is due to reduction in the leasing charges due to purchase of own plant and equipment.

Debt impairment

This due to the reduction of the impairments and the related proportional increase in gross debtors.

Repairs and maintenance

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

43. Budget differences (continued)
The overspending is due to the unplanned excessive use of private companies to repair municipal assets.

Contracted Services

This is due to the reduced use of consultants as a result of cash flow challenges and internalisation of other processes.

Bulk Purchases

The overspending is due to penalties and charges by ESKOM as a result of exceeding notified maximum demands in winter.

Grants and subisdies paid.

Due to delayed implementation of projects due to land disputes.

General expenses

Other items are overspent but the overall variance is due cash flow challenges.

Additional text

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters as well as mid-year performance assessment conducted in January 2015 and reprioritisation. For details on these changes please refer to the annual report.

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	71 395 489	149 776 870
Total capital commitments		
Already contracted for but not provided for	71 395 489	149 776 870

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 352 340	1 739 069
- in second to fifth year inclusive	51 015	1 403 356
	1 403 355	**3 142 425**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

45. Contingencies

At year end the municipality had the following contingent assets and contingent liabilities.

Pending litigations and claims

Disclose:

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

45. Contingencies (continued)

- any contingent liabilities that the venturer has incurred in relation to its interest in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other ventures.
- its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable, and
- those contingent liabilities that arise because the venturers is contingently liable for the liabilities of the other venturers of a joint venture.

Cases

Sakhiwo Robert Dudumashe // KSD Claim for damages due to alleged withholding of councillors' salaries and allowances. Dormant for many years, being revived now.	300 000	300 000
Dowa Vena Mgudlwa // KSD Claim for damages allegedly suffered due to alleged illegal withholding of councillors' salaries and allowances. Dormant for many years, being revived now.	300 000	300 000
Nyusile Majokweni // KSD Claim for damages allegedly suffered due to alleged withholding of councillors' salaries and allowances. Dormant for many years, being revived now.	300 000	300 000
Richard Ngqele // KSD Claim for damages allegedly suffered due to alleged illegal withholding of councillors' salaries and allowances. Dormant for many years, being revived now.	300 000	300 000
Fumanekile Hintsho // KSD Claim for damages allegedly suffered due to alleged illegal withholding of councillors' salaries and allowances. Dormant for many years, being revived now.	300 000	300 000
Masiza Dudumayo // KSD Municipality Claim for damages allegedly suffered due to alleged illegal withholding of councillor's salaries and allowances.	300 000	300 000
Ilitha Lelizwe // KSD Municipality Company engaged to reconcile VAT collections and claim rebates from SARS on behalf of the municipality is claiming commission on the basis that it successfully rendered the services as agreed. Matter is still pending.	2 219 340	2 219 340
Max Prof // KSD Municipality Claim for Commission due, owing and payable allegedly flowing from an agreement to reconcile VAT and claim what is due to KSD. The matter is still pending.	8 931 148	8 931 148
Nomthunzi Simane // KSD Municipality Claim for damages in respect of illegal, unlawful arrest and detention and contumelia. The matter is still pending.	150 000	150 000
Charmaine Ursula Barkley // KSD Municipality Claim for damages arising out of the electrocution of a child. Merits already conceded. Municipal legal representatives still waiting for export report from plaintiff's legal representative. A settlement negotiation is being explored.	2 310 000	2 310 000
Meyisi Xatula // Municipality Claim for unlawful arrest and detention. The matter is still pending.	600 000	600 000
Buyisile Jobe // KSD Municipality Claim for damages arising out of alleged unlawful arrest and detention.	-	280 000
Musa Lonwabo Kwetana // KSD Municipality Alleged assault by the "members of the municipality's law enforcement officers". The matter is still pending.	-	110 000
Naledi Mgwebi // KSD Municipality Claim for damages for alleged botched midwifery procedures. The matter is still pending.	1 100 000	1 100 000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
45. Contingencies (continued)		
Pumza Malefane // KSD Municipality Claim for damages allegedly caused due to blockage of storm water drain leading to damage to vehicle. The matter is still pending.	155 194	155 194
Zamile Derrick Ntshoyi // KSD Municipality Alleged unlawful arrest, detention and loss of money. The matter is still pending.	295 000	295 000
Fanekhaya Ngxola // KSD Municipality Claim for damages for alleged unlawful arrest, detention, deprivation of liberty and humiliation. The matter is still pending.	500 000	500 000
Viwe Madyibhi // KSD Municipality Claim for damages for alleged broken ankle, pain and suffering and psychological trauma and stress due falling in an open hole. The matter is still pending.	5 008 000	5 008 000
Mlimi Mzini // KSD Municipality Claim for damages and financial loss suffered due to lapsed policies as a result of alleged unfair dismissal and malicious hauling before a disciplinary hearing. The matter is still pending.	-	2 774 655
Monwabisi Memela // KSD Municipality Alleged wrongful and malicious setting of the law in motion against the plaintiff by some fellow employees. The matter is still pending.	305 000	305 000
Mabatho Eppydodia Veco // KSD Municipality Claim for damages for alleged failure to cover a pit resulting in the plaintiff getting injured. The matter is still pending.	2 150 000	750 000
Zoleka Tamia Mgogoshe // KSD Claim for damages allegedly suffered due to falling in a dug hole allegedly left uncovered. The matter is still pending.	550 000	550 000
Zondwa Lutshete // KSD Claim for damages for alleged unlawful, wrongful arrest and detention. Matter ripe for hearing. Waiting for a court date.	-	490 000
Mpendulo Vava // KSD Claim for damages for alleged unlawful wrongful arrest and detention. Matter ripe for hearing. Waiting for a court date.	-	490 000
Welekazi Sokuthu // KSD Municipality Claim for alleged unlawful arrest and detention. The matter is still pending.	185 000	185 000
Thobile Ngcame // KSD Municipality & Others Motor vehicle accident. Insurance repudiated liability. The matter is still pending.	754 000	754 000
Vuyolwethu Fihla // KSD Municipality Claim for damages for alleged unlawful, wrongful arrest and detention. The matter is still pending.	511 000	511 000
Mcingeleni Sikade // KSD Local Municipality* Claim for damages arising out of an impounded combi which allegedly got stripped at the municipal pound. The matter is still pending.	430 000	430 000
Lwandiso Menze & Others // KSD Municipality* Alleged unlawful arrest and detention. The matter is still pending.	2 000 000	2 000 000
KSD Municipality & Others // Erf 778 (UMT) Prop. CC Interdict interdicting the respondent from executing a writ of execution. The determination of the costs is still pending.	-	50 000
Thumekile Phalamahashe Claim for damages arising out of an incident of electrocution. The matter is still pending. The insurance matter accepted and defended at the instance of the insurance. The claimed amount exceeds the amount of the cover. R12 million claimed, maximum cover R2 million.	-	10 000 000

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Figures in Rand	2017	2016
45. Contingencies (continued)		
Nomawabo Lubanga // KSD Claim for acting allowance. The matter is still pending.	200 000	200 000
Wandile Macingwana // KSD Claim for damages resulting from alleged illegal stripping of an impounded kombi. The matter is being defended.	360 000	360 000
Sibongile Ratshalala // KSD Municipality and Chief Traffic Officer, KSD Claim for loss of income. The matter is still pending.	409 000	409 000
Amanda Bekezulu // KSD Municipality Claim for alleged unlawful arrest and detention. The matter is still pending and being defended.	-	130 000
Mzikayifani Gumede // KSD Claim for damages in respect of alleged assault by a municipal traffic officer. Defended and still pending.	250 000	250 000
Jabu BV Njomane // KSD Claim for monies due as result of an agreement allegedly reached among the parties. Defended and still pending.	-	2 664 309
Sibonelelo Mavume // KSD Municipality Claim for damages arising out of alleged illegal impounding of vehicle. The matter is being defended.	270 000	270 000
KSD // Taylor & Taylor & Others Judgment against the municipality rescinded and set aside, municipality granted leave to defend the case. The matter is still pending.	502 933	150 000
M Nondlwana // KSD Claim for damages arising out of alleged shooting incident by municipal law enforcement or traffic police. The matter is still pending.	2 300 000	2 300 000
KSD Municipality // Unknown Persons - illegal occupants of even Eviction proceedings. The matter is still pending.	300 000	300 000
Patrick Mpaka & 3 Others Application for declaratory order. The matter is still pending.	300 000	300 000
A Ndlambe & 28 Others // KSD Municipality Claim for alleged illegal damage to structures. The matter is still pending.	400 000	400 000
Monwabisi Gabada & Others // KSD Claim for overtime. The matter is still pending.	900 000	150 000
Lehlohonolo Mokoena & 13 others// KSD & Another** Claim for damages for alleged unlawful, wrongful arrest and detention.	919 000	12 700 000
Musa Hickson Gqwaru // KSD MVA Claim repudiated by the insurance.	75 483	75 483
Big Blue Marketing CC // KSD* Claim for specific performance. The matter is still pending.	1 600 000	1 600 000
African Bulk Earthworks (Pty) Ltd // KSD** Claim for compound interest allegedly omitted / neglected during the initial stages. The matter is still pending.	26 924 200	5 124 846
Adrian Howard Bell / Mfihlo & Others interdicting the municipality from disconnecting electricity. The matter is still pending.	250 000	250 000
Siyabonga Abednigo Fikizolo // KSD Municipality Claim for damages arising out of the alleged unlawful arrest and detention. The matter is still pending.	-	400 000
Jabulani Petros Mdlalose // KSD municipality Claim for alleged unlawful arrest and detention. The matter is still pending.	-	400 000
KSD Municipality // Erf 778 (UMT) Property cc and others to recover monies illegally attached. The matter is still pending.	-	250 000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
45. Contingencies (continued)		
Nonkululeko Dalindyebo // KSD Municipality Alleged unlawful arrest and detention. The matter is still pending.	1 170 000	-
Sikhumbuzo Mange // KSD Municipality* Claim for underpayment. The matter is still pending.	30 000	257 028
Big Blue Marketing t/a Ikwezi Computers // KSD* Damages for alleged breach of contract. The matter is still pending.	576 117	576 117
Cape Gannet Properties 118 (Pty) Ltd // KSD** Breach of contract. Pending mediation date.	267 972 026	265 472 026
Proud Heritage Properties (Pty) Ltd // KSD** Breach of contract. Pending mediation date.	163 476 883	163 476 883
KSD Municipality // Illegal Occupants, remainder of ERF 912* Eviction proceedings. The matter is still pending.	200 000	200 000
KSD Municipality // Makhubu Consortium Eviction proceedings. Court papers are being prepared.	150 000	150 000
Adrian Howard Bell // KSD Interdict and contempt. The matter is still pending.	150 000	150 000
KSD / Qotoyi Return of a motor vehicle allegedly unlawfully dispossessed. The matter is still pending.	-	50 000
KSD Municipality // Lwandile Nyebevu Application for reinstatement after employee dismissed and for a higher post. The matter is still pending.	280 000	280 000
Jerome Frank Heunis & Others // KSD Municipality** Claim for damages allegedly suffered. The matter is still pending.	6 300 000	6 300 000
Sibonele Mavume // KSD Claim for loss of income. The matter is still pending.	-	179 000
Liziwe Majavu // KSD Municipality Alleged unlawful arrest and detention. The matter is still pending.	1 170 000	-
Lungile Stololo // KSD Municipality. Delictual. Claim for damages. Matter still pending.	150 000	-
Nolufefe Mbodla // KSD Municipality Alleged unlawful arrest and detention. The matter is still pending.	1 090 000	-
Mlungiseleli Zola // KSD Municipality Alleged unlawful arrest and detention. The matter is still pending.	202 000	-
Ngoza Marhasha // KSD Municipality. Mandamant van spolie: Release of motor vehicle. Matter still pending.	257 028	-
Churchhill Sinukela // KSD Municipality Alleged unlawful arrest and detention. The matter is still pending.	715 000	-
Nomfundiso Zuma// KSD Municipality. Damages. Awaiting trail.	30 000	-
Nozamile Zamani// KSD Municipality. Damages. Awaiting trial.	26 000	-
Nobathembu Mabhongo// KSD Municipality. Damages. Awaiting trial.	34 000	-
Daliwe Mahanjana// KSD Municipality.Damages. Awaiting trial.	33 000	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
45. Contingencies (continued)		
Nobuntu Madyibhi// KSD Municipality.Damages. Awaiting merit assessment opinion.	6 500	-
Sandi Mkhumbeni & 32 Others // KSD and The Dept of Rural Dev. (Consolidated matters seeking to interdict demolishing of Kwa-Mpuku Land Grabbers). Land invasion. The matter is still pending.	1 145 000	-
Ndingaye Nolizwe & 77 Others // KSD (Consolidated Caravan cases).Spoilation matters, removal of containers without permits. THe matter still pending.	100 245 000	-
Landmark Mthatha (Pty) Ltd // KSD . Contractual: Breach of contract. Matters finalised.	4 032 794	-
African Bulk Earthworks (PTY) LTD// KSD. Contractual: Breach of contract. Matters finalised.	1 400 000	-
Kumani Belggings 120 (Pty) Ltd // KSD. Claim for a refund for alleged overpayment. Matter still pending.	100 000	-
JF Heuins / KSD Municipality. Appeal from application. Matter still pending.	200 000	-
JF Heuins & Others / KSD Municipality. Urgent application and application for condonation for appeal. Matter still pending.	200 000	-
Jabu Brian Njomane / KSD Municipality. Claim for adjustment for notch and benefits. Matter still pending.	2 800 000	-
	620 055 646	**508 523 029**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

46. Related parties

Relationships	
Mayor	Cllr D M Zozo
Speaker	Cllr N R Gcingca
Chief Whip	Cllr S Nyengane
Executive council members	Cllr G N Nelani
	Cllr M Nyoka
	Cllr N Sibeko
	Cllr Z Madyibi
	Cllr L N Ntlonze
	Cllr M T Mtirara
	Cllr N A Ndlela
	Cllr T Machaea
	Cllr T E Mapekula
Councillors	Cllr J Voko
	Cllr Z D Kutu
	Cllr M Mabaso
	Cllr T G Maqoko
	Cllr S Jadiso
	Cllr V N Roji
	Cllr M Menzelwa
	Cllr M Qotyana
	Cllr Z Luvantyu
	Cllr N Mkontwana
	Cllr Z M Mcimbi
	Cllr C S Tokwana
	Cllr U Daniso
	Cllr Z Nokayi
	Cllr N Diblokwe
	Cllr O Khotso
	Cllr M Mrwebi
	Cllr M J Msakeni
	Cllr E M Fileyo
	Cllr Z Ntliziyombi
	Cllr S Mhlaba
	Cllr A Ndzendze
	Cllr S Mlotywa
	Cllr B Bikani
	Cllr X M Mbongwana
	Cllr M Mkhotheli
	Cllr L Mkonto
	Cllr S Sikrenya
	Cllr M D Teti
	Cllr L D Liwani
	Cllr B Bara
	Cllr N Gcinindawo
	Cllr B Ndlobongela
	Cllr B Babile
	Cllr T Mngoma
	Cllr T Bhova
	Cllr M Bunzana
	Cllr G N Lusu
	Cllr N F Mzimane
	Cllr M W Malotana
	Cllr B B Gqwetha
	Cllr K W Tshipa
	Cllr M Gogo
	Cllr N Ngqongwa
	Cllr N Pali
	Cllr N Nyangani

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

46. Related parties (continued)

	Cllr M Mpangele
	Cllr W V Sanda
	Cllr K Raymond
	Cllr A Mgquba
	Cllr L M Luwaca
	Cllr U N V Malghas
	Cllr N M Nqwazi
	Cllr M Sitshwala
	Cllr N Mtwa
	Cllr N A Sobahle
	Cllr L P Zuma
	Cllr M A Manzolwandle
	Cllr B Malghas
Key management	M Zenzile (Municipal manager)
	E Jiholo (Chief Financial Officer)
	Z H Ngovela (Director:Technical services)
	L P Maka (Director:Community services)
	A Mdleleni (Director:Corporate services)
	F Gaba (Director:Public safety)
	N N Soldati (Director:Human settlements)
	R B Mnqokoyi (Director:LED)

Related party transactions are at arms length.

Key management remuneration is disclosed in Note 28.

Councilor remuneration is disclosed in Note 29.

Apart from the remuneration and transaction disclosed above no further transactions occurred with councillors and key management.

47. Unauthorised expenditure

Opening balance	509 942 470	497 166 312
Add: Unauthorised expenditure - current year	53 665 697	12 776 158
	563 608 167	**509 942 470**

Current year	**Reason**	**Amount**
Bulk purchases	Due to increased prices from Eskom.	4 037 231
Rehabilitation of landfill site	Additional rehabilitation	1 523 984
Incentive payment	Underbudgeting	2 355 024
Interest overdue	Cashflow challenges	10 086 722
Legal fees	Increased litigations	8 871 394
Litigation fees	Increased litigations	12 139 523
Repairs and maintenance	Unplanned maintenance by consultants	10 282 026
Gains on disposals	Properties disposed of during the year not budgeted for	4 369 793
		53 665 697

48. Fruitless and wasteful expenditure

Opening balance	348 654 272	343 371 421
Add: Fruitless and wasteful expenditure - current year	11 004 382	5 282 851
	359 658 654	**348 654 272**

Fruitless and wasteful expenditure was incurred as a result of interest and penalties charged on late payments.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

48. Fruitless and wasteful expenditure (continued)

The Fruitless and wasteful expenditure has been referred to the Municipal Council to be written off in accordance with Section 32(2)(b) of the MFMA.

49. Irregular expenditure

Opening balance	599 414 542	497 893 114
Add: Irregular Expenditure - current year	46 331 009	101 521 428
	645 745 551	**599 414 542**

Analysis of expenditure awaiting condonation per age classification

Current year	46 331 009	101 521 428
Prior years	599 414 542	497 893 114
	645 745 551	**599 414 542**

Details of irregular expenditure – current year	
Emergency procurement that do not authorise end user departments to source quotations.	782 086
The Tender Document and all attachments could not be located thus there is no proof that a valid procurement process wass followed.	4 586 002
The newspaper advertisement could not be located therefore there is no proof that the bid was advertised.	186 000
The bid specifications committee was not established at the time the procurrement took place.	40 776 921
	46 331 009

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	3 579 130	3 282 795
Amount paid - current year	(3 579 130)	(3 282 795)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Distribution losses

During the 2017 financial year the Municipality incurred distribution losses relating to electricity of 7.00% (2016: 13.14%).

Electricity distribution losses in units		
Purchases	270 935 712	272 257 263
Own use	(3 307 659)	(7 444 867)
Pre-paid consumer electricity sold	(96 986 579)	(94 680 754)
Conventional consumer billed	(151 587 375)	(134 370 945)
	19 054 099	**35 760 697**
Units purchased during the year	270 935 712	272 257 263
Units sold during the year	(251 881 613)	(236 496 566)
	19 054 099	**35 760 697**
Rand per unit	1,34	1,33
Cost in rands	25 617 999	47 387 319

Audit fees

Opening balance	1 776 959	1 504 666
Current year subscription / fee	9 322 322	9 211 943
Amount paid - current year	(8 993 861)	(7 434 984)
Amount paid - previous years	-	(1 504 666)
	2 105 420	**1 776 959**

PAYE and UIF

Opening balance	14 478 164	6 462 299
Current year subscription / fee	54 225 127	47 616 748
Amount paid - current year	(36 353 424)	(39 600 883)
	32 349 867	**14 478 164**

Pension and Medical Aid Deductions

Opening balance	16 753 445	10 647 079
Current year subscription / fee	64 664 254	68 849 742
Amount paid - current year	(62 048 938)	(62 743 376)
	19 368 761	**16 753 445**

VAT

VAT receivable	32 300 997	12 561 308
VAT payable	41 884 874	47 445 263
	74 185 871	**60 006 571**

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Gcingca NR	-	830	830
Mtirara MT	914	68	982
Sibeko N	177	-	177
Nyangani N	593	29 814	30 407
Sobahle NA	289	-	289
Knock R	2 360	1 450	3 810
Liwani LD	-	21 196	21 196
Malotana MW	4 751	25 576	30 327
Tsipa KW	1 597	2 061	3 658
	10 681	**80 995**	**91 676**

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Ngcobo FRS	638	15 843	16 481
Cllr Mtirara M T	3 121	12 289	15 410
Cllr Knock R	1 192	9	1 201
Cllr Luqhide L M	1 118	2 104	3 222
Cllr Mapekula E T	375	1 472	1 847
Cllr Ngqonwa N	1 716	22	1 738
Cllr Nelani N T	5 000	86	5 086
	13 160	**31 825**	**44 985**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/ dispensed by the Accounting Officer and noted by Council.

51. Supply Chain Management Regulations

The expenses incurred listed below are instances of Supply Chain Management deviations reported to the council.

Incident		
3 quotations not obtained	816 940	1 223 379
Sole supplier	273 211	1 148 806
Emergency procurement	79 304	822 272
Advertising in local newspaper	940 637	948 998
Pauper burials-body already at parlour	98 792	125 870
	2 208 884	**4 269 325**

52. Bids awarded to employees in service of the state

In terms of section 45 of the Municipal SCM Regulations, any award above R2 000 to family of employees in the service of the state must be disclosed in the annula financial statements.

No conflicts of interest have been identified in the current year.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

53. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out under policies approved by the accounting officer and council. The municipality identifies, evaluates and hedges financial risks in close co-operation with the municipality's various departments. The accounting officer and council provides written principles for overall risk management, as well as written policies covering specific areas.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the effect of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	340 992 543	-	-	-
VAT Receivable	32 300 997	-	-	-
Other financial liabilities	10 281 663	27 576 150	-	-
Consumer deposits	17 015 925	-	-	-
Finance lease obligation	427 910	7 604	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	257 715	-	-	-
VAT Receivable	12 561 308	-	-	-
Other financial liabilities	9 228 269	31 962 542	-	-
Consumer deposits	15 718 570	-	-	-
Finance lease obligation	843 746	435 514	-	-

Liquidity risk is mainly concentrated on the Trade and other payables balance.

The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risks.

Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from the municipality's investments, loans, receivables, and cash and cash equivalents .

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating,and limits exposure to any one counter-party in accordance with Council's approved investment policy.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

53. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis and assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Entity establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Sales to retail customers are settled in cash or using major credit cards.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Cash and cash equivalents	18 540 950	12 501 813
Receivables from exchange transactions	45 049 728	31 154 725
Receivables from non-exchange transactions	39 665 885	17 927 938

The municipality does not hold any collateral in relation to the financial assets above.

Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates and interest rates, affecting the municipality's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

54. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	45 049 728	45 049 728
Receivables from non-exchange transactions	-	39 665 885	39 665 885
Cash and cash equivalents	18 540 950	-	18 540 950
	18 540 950	**84 715 613**	**103 256 563**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	37 857 813	37 857 813
Payables from exchange transactions	340 992 543	340 992 543
	378 850 356	**378 850 356**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

. **Financial instruments disclosure (continued)**

2016

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	31 154 725	31 154 725
Receivables from non-exchange transactions	-	17 927 938	17 927 938
Cash and cash equivalents	12 501 813	-	12 501 813
	12 501 813	**49 082 663**	**61 584 476**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	41 190 811	41 190 811
Payables from exchange transactions	257 295 715	257 295 715
	298 486 526	**298 486 526**

55. Events after the reporting date

The municipality is not aware of any events after 30 June 2017 that may have an impact on the financial statements or require disclosure.

56. Litigation fees

Litigation fees	12 139 523	-

57. Prior period errors

The financial statements have been prepared in accordance with GRAP on a basis consistent with the prior year. Where adjustments were done in the current annual financial statements, management considered the impact on the opening balances of the earliest comparative figures and these were adjusted accordingly.

The aggregate effect of the prior period adjustment on the comparative figures in the financial statements for the year ended 30 June 2016 is as follows.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Performance	As previously reported	Prior Period Error	Reclassification	Restated as at 30 June 2016
Revenue from exchange transactions				
Revenue from non-exchange transactions				
Expenditure				
Depreciation	(165 781 327)	3 053 931	-	(162 727 396)
Bulk purchases	(227 139 338)	(1 661 806)	-	(228 801 144)
Grants and subsidies paid	(37 943 162)	(5 403)	-	(37 948 565)
General expenses	(85 868 159)	(85 776)	-	(85 953 935)
Loss on disposal of assets	-	(246 770)	-	(246 770)
	(516 731 986)	**1 054 176**	**-**	**(515 677 810)**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

57. Prior period errors (continued)

Statement of Financial Position	As Previously Reported	Prior Period Error	Reclassification	Restated as at 30 June 2016
Current Assets				
Receivables from exchange transactions	31 031 851	-	122 874	31 154 725
VAT Receivable	12 708 503	(147 195)	-	12 561 308
Non-current assets				
Property, plant and equipment	2 330 679 029	1 393 490	-	2 332 072 519
Current liabilities				
Payables from exchange transactions	(256 704 222)	(714 368)	122 874	(257 295 716)
Non current liabilities				
Net Assets				
Accumulated surplus	(1 883 800 767)	(777 675)	-	(1 884 578 442)
	233 914 394	**(245 748)**	**245 748**	**233 914 394**

Notes to the annual financial statements	**As previously reported**	**Prior period error**	**Reclassification**	**Restated as at 30 June 2016**
Commitments				
Already committed but not yet provided for				
Property, plant and equipment	141 130 627	8 646 243	-	149 776 870
Unauthorised expenditure				
Opening balance	497 166 312	-	-	497 166 312
Add: Unauthorised expenditure - current year	12 776 158	-	-	12 776 158
	509 942 470	**-**	**-**	**509 942 470**
Irregular expenditure				
Opening balance	497 893 114	289 779 842	-	787 672 956
Add: Irregular expenditure - current year	101 521 428	119 933 311	-	221 454 739
	599 414 542	**409 713 153**	**-**	**1 009 127 695**
Audit fees				
Opening balance	1 504 666	-	-	1 504 666
Current year subscription / fee	9 211 943	-	-	9 211 943
Amount paid - current year	(7 434 984)	-	-	(7 434 984)
Amount paid - prior year	-	(1 504 666)	-	(1 504 666)
	3 281 625	**(1 504 666)**	**-**	**1 776 959**

Depreciation and amortisation
The depreciation on Infrastructure was recalculated and agreed to fixed asset register.

Bulk purchases
Reversal of duplicated bulk purchases journal.

Grants and subsidies paid
Reversal of duplicated bulk purchases journal.

General expenses
Accrual raised that was not previously recorded.

Loss on disposal of non-current assets
Disposal of properties of R32 000 not previously recorded and reallocation of R214 000 disposal incorrectly recorded to depreciation.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

57. Prior period errors (continued)

Receivables from exchange transactions
A liability for litigation fees with a debit balance was reallocated from payables from exchange transactions to receivables from exchange transactions.

VAT Receivable
VAT on accruals raised that were not previously recorded.

Property, plant and equipment
Derecognition of a vehicle for R2,1 million that was only received in 2017.

Depreciation on Infrastructure was recalculated which resulted in a reduction of R2,8 million.

Additions to WIP of R961 000 that were not previously recorded were raised.

Properties to the value of R308 500 were derecognised as they had been sold.

Payables from exchange transactions
Reversal of an accrual raised for a vehicle of R2,3 million that was only received in 2017.

Accruals for additions to WIP of R1,2 million that were not previously recorded.

Correction of bulk purchases of R1,6 million.

Reclassification of creditors with debit balances of R122 874.

Commitments
An additional amount of R15 million of contractors that were previously not included in the commitments register.

A reduction of R5.4 million of projects that were completed in the previous year that were still sitting in the commintments.

A reduction of R961 000 due to accruals of invoices not previously recorded.

Unauthorised expenditure
Unauthorised expenditure recalculation was reperformed.

Irregular expenditure
A 100% review of the expenditure was done from the 2013/14 financial year to 2015/16 financial year and additional irregular expenditures were identified.

Audit fees
Included a payment that was previously not recorded.